



STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

JAN 19 2010

COMPTROLLER'S MEMORANDUM NO. 2010-04

TO: Heads of Departments

ATTN: Fiscal Offices

SUBJECT: Federal Per Diem Rates (CONUS)

In Revenue Procedure 2009-47, the Internal Revenue Service has updated the federal per diem rates established by Revenue Procedure 2008-59 for travel within the continental United States (CONUS). These standard rates affect the computation of the taxable portion of per diem allowances paid to State of Hawaii officers and employees. The information in this memorandum therefore needs to be forwarded to the offices in your department responsible for the computation and reporting of the taxable portion of per diem allowances for payroll tax withholding purposes.

The following rates are to be used for computing, under the high-low substantiation method, the taxable portion of per diem for CONUS travel expenses paid or incurred on or after January 1, 2010.

	<u>High-Cost Locality</u>	<u>Low-Cost Locality</u>
Lodging	\$193	\$111
Meals and Incidental Expenses	<u>65</u>	<u>52</u>
Total federal rates	<u>\$258</u>	<u>\$163</u>

Revenue Procedure 2009-47 has also made some changes in the locations identified in the high-cost category. Attached is an updated listing of the high-cost localities; all other CONUS localities are considered low-cost localities under the high-low substantiation method.


RUSS K. SAITO
State Comptroller

Attachment

\$211 or more, and are high-cost localities for all of the calendar year or the portion of the calendar year specified in parentheses under the key city name:

<i>Key City</i>	<i>County or other defined location</i>
Arizona	
Phoenix/Scottsdale (January 1-May 31)	Maricopa
Sedona (March 1-April 30)	City limits of Sedona
California	
Monterey	Monterey
Napa (October 1-November 30 and April 1-September 30)	Napa
San Diego	San Diego
San Francisco	San Francisco
Santa Barbara	Santa Barbara
Santa Monica	City limits of Santa Monica
South Lake Tahoe (December 1-March 31)	El Dorado
Colorado	
Aspen (December 1-April 30)	Pitkin
Denver/Aurora	Denver, Adams, Arapahoe, and Jefferson
Steamboat Springs (December 1-March 31)	Routt
Telluride (December 1-March 31 and June 1-September 30)	San Miguel
Vail (December 1-March 31)	Eagle
District of Columbia	
Washington D.C. (also the cities of Alexandria, Falls Church, and Fairfax, and the counties of Arlington and Fairfax, in Virginia; and the counties of Montgomery and Prince George's in Maryland) (See also Maryland and Virginia)	
Florida	
Fort Lauderdale (October 1-April 30)	Broward
Fort Walton Beach/De Funiak Springs (June 1-July 31)	Okaloosa and Walton
Key West	Monroe
Miami (January 1-March 31)	Miami-Dade
Naples (January 1-April 30)	Collier
Illinois	
Chicago	Cook and Lake

<i>Key City</i>	<i>County or other defined location</i>
Maine Bar Harbor (July 1-August 31)	Hancock
Maryland Baltimore City (October 1-November 30 and March 1-September 30) Cambridge/St. Michaels (June 1-August 31) Ocean City (June 1-August 31) Washington, DC Metro Area	Baltimore City Dorchester and Talbot Worcester Montgomery and Prince George's
Massachusetts Boston/Cambridge Martha's Vineyard (June 1-August 31) Nantucket (June 1-September 30)	Suffolk, City of Cambridge Dukes Nantucket
New Hampshire Conway (July 1-August 31)	Carroll
New York Floral Park/Garden City/Great Neck Glens Falls (July 1-August 31) Lake Placid (July 1-August 31) Manhattan (includes the boroughs of Manhattan, Brooklyn, the Bronx, Queens and Staten Island) Saratoga Springs/Schenectady (July 1-August 31) Tarrytown/White Plains/New Rochelle	Nassau Warren Essex Bronx, Kings, New York, Queens, Richmond Saratoga and Schenectady Westchester
Pennsylvania Hershey (June 1-August 31) Philadelphia	City of Hershey Philadelphia
Rhode Island Jamestown/Middletown/Newport (October 1-October 31 and May 1-September 30)	Newport
Utah Park City (January 1-March 31)	Summit
Virginia Washington, DC Metro Area	Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax
Washington Seattle	King

.04 *Changes in high-cost localities.* The list of high-cost localities in section 5.03 of this revenue procedure differs from the list of high-cost localities in section 5.03 of Rev. Proc. 2008-59 (changes listed by key cities).

(1) The following localities have been added to the list of high-cost localities: Monterey, California; Denver/Aurora, Colorado; Bar Harbor, Maine; Conway, New Hampshire; Glens Falls, New York; Lake Placid, New York; and Hershey, Pennsylvania.

(2) The portion of the year for which the following are high-cost localities has been changed: Phoenix/Scottsdale, Arizona; Napa, California; San Diego, California; Telluride, Colorado; Vail, Colorado; Miami, Florida; Naples, Florida; Baltimore City, Maryland; Cambridge/St. Michaels, Maryland; Ocean City, Maryland; and Jamestown/Middletown/Newport, Rhode Island.

(3) The following localities have been removed from the list of high-cost localities: Crested Butte/Gunnison, Colorado; Silverthorne/Breckenridge, Colorado; and Palm Beach, Florida.

(4) The following localities have been redefined: Floral Park/Garden City/Great Neck, New York no longer includes Glen Gove and Roslyn; Tarrytown/White Plains/New Rochelle, New York no longer includes Yonkers.

.05 *Specific limitation.*

(1) Except as provided in section 5.05(2) of this revenue procedure, a payor that uses the high-low substantiation method for an employee must use that method for all amounts paid to that employee for travel away from home within CONUS during the calendar year. See section 5.06 of this revenue procedure for transition rules.

(2) For an employee described in section 5.05(1) of this revenue procedure, the payor may reimburse actual expenses or use the meal and incidental expenses only *per diem* substantiation method described in section 4.02 of this revenue procedure for any travel away from home, and may use the *per diem* substantiation method de-

scribed in section 4.01 of this revenue procedure for any OCONUS travel away from home.

.06 *Transition rules.* A payor who used the substantiation method of section 4.01 of Rev. Proc. 2008-59 for an employee during the first 9 months of calendar year 2009 may not use the high-low substantiation method in section 5 of this revenue procedure for that employee until January 1, 2010. A payor who used the high-low substantiation method of section 5 of Rev. Proc. 2008-59 for an employee during the first 9 months of calendar year 2009 must continue to use the high-low substantiation method for the remainder of calendar year 2009 for that employee. A payor described in the previous sentence may use the rates and high-cost localities published in section 5 of Rev. Proc. 2008-59, in lieu of the updated rates and high-cost localities provided in section 5 of this revenue procedure, for travel on or after October 1, 2009, and before January 1, 2010, if those rates and localities are used consistently during this period for all employees reimbursed under this method.

SECTION 6. LIMITATIONS AND SPECIAL RULES

.01 *In general.* The federal *per diem* rate and the federal M&IE rate described in section 3.02 of this revenue procedure for the locality of travel apply in the same manner as they apply under the Federal Travel Regulations, 41 C.F.R. Part 301-11 (2009), except as provided in sections 6.02 through 6.04 of this revenue procedure.

.02 *Federal per diem rate.* A receipt for lodging expenses is not required in determining the amount of expenses deemed substantiated under section 4.01 or 5.01 of this revenue procedure. See section 7.01 of this revenue procedure for the requirement that the employee substantiate the time, place, and business purpose of the expense.

.03 *Federal per diem or M&IE rate.* A payor is not required to reduce the federal *per diem* rate or the federal M&IE rate for the locality of travel for meals provided in

kind, provided the payor has a reasonable belief that the employee incurred or will incur meal and incidental expenses during each day of travel.

.04 *Proration of the federal per diem or M&IE rate.* Under the Federal Travel Regulations, in determining the federal *per diem* rate or the federal M&IE rate for the locality of travel, the full applicable federal M&IE rate is available for a full day of travel from 12:01 a.m. to 12:00 midnight. The method described in section 6.04(1) of this revenue procedure must be used for purposes of determining the amount deemed substantiated under section 4.03 or 4.05 of this revenue procedure for partial days of travel away from home. For purposes of determining the amount deemed substantiated under section 4.01, 4.02, or 5 of this revenue procedure for partial days of travel away from home, either of the following methods may be used to prorate the federal M&IE rate to determine the federal *per diem* rate or the federal M&IE rate for the partial days of travel:

(1) The rate may be prorated using the method prescribed by the Federal Travel Regulations. Currently the Federal Travel Regulations allow three-fourths of the applicable federal M&IE rate for each partial day during which an employee or self-employed individual is traveling away from home performing services as an employee or self-employed individual. The same ratio may be applied to prorate the allowance for incidental expenses described in section 4.05 of this revenue procedure; or

(2) The rate may be prorated using any method that is consistently applied and in accordance with reasonable business practice. For example, if an employee travels away from home from 9 a.m. one day to 5 p.m. the next day, a method of proration that results in an amount equal to two times the federal M&IE rate is treated as being in accordance with reasonable business practice (even though the Federal Travel Regulations would allow only one and a half times the federal M&IE rate).

.05 *Application of the appropriate § 274(n) limitation on meal expenses.* Except as provided in section 6.05(5), all or